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ABSTRACT

This paper examines the changes that have occurred in the distribution and expenditures of funds in Rhode Island as a result of the change from categorical to block grant funding. Data were collected from the state education agency and each local education agency (LEA). Data on fiscal years 1982, 1983, and 1984 expenditures in and administration of the categorical programs consolidated in the Education Consolidation and Improvement Act of 1981, Chapter 2, were collected by means of interviews, questionnaires mailed to LEA Chapter 2 administrators (36 questionnaires were completed and returned), and examination of project applications. Results show: (1) Rhode Island school systems have experienced little change since the shift from categorical to block grant funding; (2) desegregation activities funded under the Emergency School Aid Act lost most funding because of this shift; and (3) LEA administrators in charge of Chapter 2 block grant programs felt that the programs involved more ease of administration, less paperwork, and greater programming flexibility than did the categorical programs. Five tables provide data on statewide funding levels, categorical funding levels, funding shifts, questionnaire results, and changes resulting from the shift to block grant funding. (PB)

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THE IMPACT OF CHAPTER 2 ECIA ON ONE STATE: A CASE ANALYSIS

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The Impact of Chapter 2 ECIA on
One State: A Case Analysis

This study attempted, using a single state, its state education agency (SEA) and each of its local education agencies (LEAs): to gather comprehensive data on expenditures under Chapter 2 of the Education Consolidation and Improvement Act of 1981 (ECIA); to compare Chapter 2 expenditures with those in the various categorical grant programs consolidated into Chapter 2; to collect perceptions of LEA Chapter 2 administrators regarding various aspects of Chapter 2; and to attempt to place the information collected in both an historical perspective relative to previous federal consolidation initiatives and in the role of the federal government in education.

Historically, federal legislation and federal funding in education has been primarily restricted to categorical funding programs which were quite narrowly focused and at least arguably targeted toward achieving specific objectives related to the national interest. As was noted by Vogel (1982), "Although federal education programs still exhibit some ambivalence of purpose, certain fundamental concerns have remained quite constant for more than a decade." She identifies the following five central concerns:

- Equal educational opportunity
- Inducement of specific state and local education services which are in the national interest to enhance
- Educational research and innovation
- Reform of state and local educational practice
- Compensation for reductions in tax base

In the context of these fundamental concerns, which provided the basis for narrowly targeted federal education legislation, there was a

great deal of discussion and debate about the probable impact of the removal of some of the program and targeting restrictions which characterized federal categorical programs in education. In essence, the basic policy question raised was the extent to which federal categorical program goals, which were avowedly focused upon issues of national interest, would continue to be pursued under some less restrictive system of funding in education.

The Educational Consolidation and Improvement Act of 1981 (ECIA), passed by Congress and funded in accordance with the Omnibus Education Reconciliation Act of 1981, represents one outcome of the debate over federal control of programs and targeting in the education area. Chapter 2 of ECIA provided for the consolidation of some twenty-eight (28) program authorizations previously authorized on a categorical basis "into a single authorization of grants to States for the same purposes set forth in the provisions of law" for those previous categorical programs "but to be used in accordance with the educational needs and priorities of State and local educational agencies as determined by such agencies." [Chapter 2, Sec. 561.(a)]. A further purpose of Chapter 2 was ". . . to greatly reduce the enormous administrative and paperwork burden imposed upon schools. . ." [Chapter 2, Sec. 561.(a)]. The Chapter 2 consolidation contains four subchapters (Basic Skills Development, Educational Improvements and Support Services, Special projects, Secretary's Discretionary Funds) which identify the purposes for which the funds may be used. The act provides no funding restrictions or prescriptions for support of programs either within or among subchapters, giving each local education agency discretion over the allocation of funds to any subchapter area or areas in accordance with local needs and priorities.

The American Association of School Administrators (AASA), at the request of the U.S. Government Accounting Office, conducted a survey of a sample of school districts to "attempt to assess the impact of Chapter 2 on local education agencies by comparing the funding through the 1981-82 categorical programs to funding through the 1982-83 block grant delivery system and by asking specifically how school districts are spending their Chapter 2 money." (AASA, 1983) Their survey was sent to a random sample of 2500 school districts (of the approximately 16,000 school districts in the country), had approximately a 45% return rate, and was of a self-report nature. The data generated by the AASA survey provide some interesting, although limited, insights into the 1982-83 expenditure of Chapter 2 funds. Most prominent among their findings was the fiscal impact based upon district size. The major finding was that "ECIA Chapter 2 sends larger sums to more small school districts and drains funds from large urban centers." The AASA survey also attempted to determine the extent of the Chapter 2 expenditures within each of the categorical programs consolidated in Chapter 2. This information, collected on a sample basis, was self-reported rather than independently collected and was not directly linked to the amount of funds expended in these categorical areas from the preceding year. The data presented, therefore, provided a restricted insight into the nature and extent of shifts reflecting local funding priorities and their relationship to previously articulated national funding priorities. The basic policy issue raised earlier in this section --the extent to which federal categorical program goals have continued to be pursued under ECIA Chapter 2-- remains as an issue in need of examination.

Methods and Data Sources

Data for this study were collected in a variety of ways and from a variety of sources. The following summarizes the nature of the data collected, its method of collection, and its source:

1. FY82 expenditures in the categorical programs consolidated in ECIA Chapter 2 were collected for each of the LEAs in the state. Since the federal categorical funds were administered through a variety of SEA and LEA officials it was necessary to contact a number of different individuals to collect these data. In those instances where categorical grants were administered and funded through the SEA, interviews and, in some instances, examination of project applications were held to determine the amount of funding within each category which had been granted to each of the state's LEAs. Where the categorical grants were granted directly to LEAs (independent of the SEA), the responsible LEA officials were interviewed to determine the amount of funding received.
2. FY83 and FY84 Chapter 2 expenditures were collected for each of the state's LEAs. These expenditures were collected by examining the Chapter 2 project applications, including all project amendments. Since the LEA Chapter 2 project applications required that expenditures be directly identified relative to the categorical programs consolidated by Chapter 2 it was possible to apportion total FY83 expenditures under Chapter 2 across the various categorical programs.

3. Perceptions of various aspects of Chapter 2 administration and impact were collected through a questionnaire mailed to each LEA Chapter 2 administrator. Thirty-six (36) of forty (40), or 90%, of the questionnaires, were completed and returned.
4. Based upon responses to the Chapter 2 questionnaire (see #3 above) follow-up interviews were held with five LEA Chapter 2 administrators. These five LEA administrators were selected in order to solicit more in-depth comments which they made in response to various questionnaire items.

Results

Distribution of funds: When examined in total dollars, Rhode Island school systems appear to have experienced little change as a result of the shift from categorical to block grant funding. Table 1 shows that statewide funding increased approximately 5.5% from the final year of categorical funding (FY82) to the first year of block grant funding (FY83). An increase of approximately 1.5% in funding was experienced between the first and second year of block grant funding.

TABLE 1

Statewide Funding Levels
FY82 Categorical Through FY84 Chapter 2 Block Grant

FY82 Categorical	FY83 Chapter 2	FY84 Chapter 2	Change FY82-FY84
$1,663,431	$1,775,344	$1,782,972	+ 7.2%

Within the state dollar totals, however, there have been some rather substantial shifts in funding levels. Of the state's 40 school districts

32 (80%) received increased funding under Chapter 2, while 8 districts (20%) received reduced funding levels. Table 2 presents a comparison of average allocations from FY82 categorical funding through FY84 Chapter 2 block grant funding, where the categories for comparison are the total amounts of FY82 categorical grants received by the state's LEAs.

TABLE 2

Comparison of Average Allocations
FY82 Categorical Through FY84 Chapter 2 Block Grant

FY82 Funding Level	Avg. FY82 Categorical	Avg. FY83 Ch. 2	Avg. FY84 Ch. 2	Change FY82-FY84
Less than 1,000	597	2,742	2,609	+ 337%
1,000 - 4,999	3,320	8,088	8,815	+ 166%
5,000 - 9,999	7,821	16,795	17,010	+ 119%
10,000 - 14,999	11,841	19,586	18,936	+ 60%
15,000 - 24,999	20,058	22,544	21,685	+ 8%
25,000 - 49,999	35,776	34,565	34,553	- 3%
50,000 - 99,999	72,057	159,703	157,044	+ 118%
More than 100,000	248,128	190,096	207,300	- 16%

Inspection of Table 2 shows that those districts which received small amounts of categorical funding (predominately Title IV-B allocation funds) registered substantial increases in funding with the shift to block grant funding. In fact, all districts whose pre-block grant funding was 15,000 or less showed increases in funding under Chapter 2, with 40% of the state's districts more than doubling their block funds. With the exception of the two schools in the pre-block 50,000-99,000

category --each of these being relatively large districts which were not very aggressive in seeking federal funds-- as the amount of pre-block grant categorical funding increased the % change from categorical to Chapter 2 decreased. Those districts which experienced decreased funding were either urban areas or small districts which had received one or more Title IV-C competitive grants which were no longer available following the consolidation.

Further examination of changes in categorical to Chapter 2 dollar allocations indicates that even a by-district analysis such as that shown in Table 2 needs to be understood in the context of within-district changes. The preceding paragraphs have shown that although the overall state funding level remained relatively stable there was a substantial shifting of funds from district to district, with the smaller districts tending to receive the greatest benefit. A second redistribution also took place within school systems between programs for students attending a community's public and non-public schools. Table 3 illustrates, on a statewide basis, the funding levels for students who attend public and non-public schools under FY82 categorical funding and FY83 and 84 Chapter 2 block grant funding.

TABLE 3

Public/Non-Public Program Funding Levels
FY82 Categorical Through FY84 Chapter 2 Block Grant

	FY82 Categorical	FY83 Chapter 2	FY84 Chapter 2	Change FY82-FY84
Public	1,558,145	1,393,869	1,422,861	- 8.7%
Non-Public	105,286	361,475	360,111	+ 242 %
TOTAL	1,663,431	1,775,344	1,782,972	+ 7.2%

Table 3 highlights the funding shift mentioned above. While overall the state of Rhode Island received a modest (7.2%) increase in funding from the last year of categorical funding in FY82, programs for students attending the state's public schools experienced an 8.7% decrease in funding during this period while programs for students attending the state's non-public schools experienced a 242% increase in funding.

Expenditure of funds: Clearly the programs which were the single largest "losers" of support following the shift from categorical to block grant funding were those desegregation activities funded under the Emergency School Aid Act (ESAA). Expenditures in this area dropped from the FY82 (categorical) total of $404,294 to the FY84 Chapter 2 Block Grant total of $60,876; or a shift from 24% of the state's categorical expenditures to 3% of the state's Chapter 2 expenditures being for desegregation activities. This large a dollar and percentage shift, given that the state's total allocation changed only slightly over the same period, could account for the fact that most other program areas showed increases with the exception of school library resources --which showed a reduction of 16% (from $635,770 to $535,283). For example, funding of programs for gifted and talented increased 32% (from $110,653 to $145,934) and funding for teacher training increased 39% (from $98,000 to $136,321).

Aside from those general program expenditure levels briefly described above, examination of the actual project expenditures showed a strong tendency for LEAs to utilize Chapter 2 funds for purchasing computers, (particularly microcomputers) and computer software. Although it was not possible to secure accurate data on FY82 categorical expenditures for computers, discussions with LEA and SEA program administrators indicated

that, while certainly there were some purchases of computer equipment under the categorical grants, the amount of such purchases was relatively small. In the two years of Chapter 2 block grant funding, computer hardware and software purchases have been $398,298 in FY83 and $578,790 of FY84 --or an expenditure of 33% of the state's total FY84 Chapter 2 allocation.

Administrator perceptions of Chapter 2: In an attempt to determine if local administrators perceived that the "administrative ease" purposes of block grant funding (e.g., ease of administration, increased flexibility, less paperwork) had been achieved for them with the implementation of Chapter 2, a questionnaire was distributed to all forty Rhode Island districts in April, 1983. Questions were also included that were designed to produce information about whether the number of students, staff and resources involved had increased, decreased, or stayed the same from categorical funding to block grant funding. Thirty-six of the forty questionnaires were returned and summary statistics were calculated.

Further, the federal programs coordinators in six districts were interviewed to provide more in-depth information on their reactions to changes in operation from categorical funding to the first year of block grants.

Results of the questionnaires indicated that local school district administrators in charge of Chapter 2 block grant programs felt that the application process was easy to complete, involved less paperwork and allowed increased flexibility in programming. Less than half indicated that administrative or fiscal changes had accrued as a result of Chapter 2, and 59% stated that programs previously conducted under

categorical funding had been continued. This information is summarized in Table 4.

TABLE 4

Block Grant Issues by Percentage Agree/Disagree

TOPIC	Strongly Agree or Agree	Strongly Disagree or Disagree
Application Completed with Ease	86%	14%
Increased Flexibility	97%	3%
Less Paperwork	69%	31%
Previous Project Continued	59%	41%
Administrative ChangesOccurred	36%	64%
Fiscal Changes Occurred	48%	52%

The change from categorical to block grant funding resulted in the majority of the districts reporting they were serving more students than before and delivering more services than they did under categorical funding. Most districts reported that there was no change in staff being trained, while most districts indicated that more staff was, in fact, involved under block grant programs than under categorical funding. Table 5 presents this information.

TABLE 5

Change from Categorical to Block Grant Funding

TOPIC	More	Less	None
Students Served	54%	24%	22%
Services Delivered	54%	20%	26%
Staff Involved	42%	33%	25%
Staff Trained	39%	19%	42%

Follow-up site interviews in six school districts provided little supplementary information to the questionnaire results. Interviewees considered the application process to be easier than in the past, primarily because only one application was involved. This simplified bookkeeping and necessitated fewer committees and meetings. Few substantive administrative or fiscal changes had resulted because the administrators responsible for managing categorical programs in the past had been given responsibility for administering the block grant programs.

Summary

This paper has examined the changes that have occurred in the distribution and expenditure of funds in Rhode Island as a result of the change from categorical to block grant funding. Certainly there have been some shifts in <u>where</u> the funds are expended:

- smaller school districts received substantial increases (although still relatively small dollar amounts) in funding with the change from categorical to block grant funding;
- programs for students attending non-public schools received substantial increases in funding while programs in public schools received decreases in funding.

There have also been some shifts in <u>how</u> the funds are expended:

- less money is being expended on desegregation programs;
- less expended on demonstration/adaption of nationally validated programs;
- less expended on books and other library and print based media;
- more expended on programs for gifted students;
- more for (micro) computer hardware and software;
- more for teacher training.

Responses to the basic policy issue which this paper attempts to address --the extent to which federal categorical program goals have continued to be pursued under ECIA Chapter 2 --are implicit in the changes in expenditures described above. The extent to which these changes are perceived as being in the national interest and consistent with the federal government's central concerns in education described by Vogel and presented in the introduction to this paper is arguable. In the past there has been a federal funding "tilt" or priority toward the special educational needs of urban centers, toward educational programs offered through public schools, and toward desegregation and other programs cited in this study as receiving lessened support under Chapter 2. If other states are noting changes similar to those identified in this study, and if upon examination it is felt that these areas continue high as federal priorities in the national interest, then consideration should be given to means to insure they are addressed.

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